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CENTRAL INTELLIGENCE AGENCY

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## INFORMATION REPORT

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COUNTRY Hungary

SUBJECT Reorganization of the Hungarian Government.

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1. Functional alterations

a. Ministry of Light Industry. Its real duty is to eliminate the small trade and the smaller enterprises of a capitalist nature.

b. The Ministry of Agriculture was assigned the task of liquidating the farmers' class and of gradually introducing collective farming. ERDEI and the whole of his ministry are only puppets for this purpose. The newly established Economic Council, headed by GEROE, is actually directing all agricultural affairs.

c. Ministry of Education and Religious Affairs. According to former plans this was to be dropped and ORTUTAY was to resign. However, it was the policy to leave the unpopular duty of solving the church problem to ORTUTAY. The Ministry of People's Education directed by REVAI will be entirely responsible for all sorts of education. While this Ministry is gradually taking over the duties of the ORTUTAY Ministry it is also functioning as a supervising authority.

d. The Ministry of Inland Trade was assigned the duty of liquidating independent small trade. Chief of this ministry is again a "parade" minister, Jozsef BOGNAR.

2. Composition of personnel at the new Ministries

a. As a reward Gyocsef FAROSAN has become a minister (of Light Industry). Neither his capabilities nor his technical knowledge fit him for such a position.

b. Istvan KOSSA's usefulness as a Minister of Finance is exhausted. His powers will be very limited for here, as well

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as in the Economic Council GERON will function as leader. It is also intended to leave the solution of financial matters more and more to MOSCOW.

c. The way by which Gyula ORFELY succeeded in becoming a member of the new government is typical of his character. When he was supposed to be dropped he asked consideration to the fact that another action against the church was to be carried out on a large scale and must, under no circumstances, be effected by a Marxist personality. He, however, was willing to bring it to a successful end in accordance with Communist intentions. KEVAI agreed to these considerations.

d. Originally KALLAY was supposed to become Minister of People's Education and KEVAI Foreign Minister. The reason for a reverse distribution of duties was the fact that KEVAI is considered a reliable Moscow man and a reorganization of cultural life will be realized more or less independent of MOSCOW and thus a reliable person had to be entrusted with this task.

e. Contrary to all expectations Istvan RIESZ, Minister of Justice, retained his office.

f. Mihaly ZSOFIREC, the new Minister of Heavy Industry, is an old-time Communist. There are no records available on his technical knowledge.

g. GERON's new position is not surprising as he is, except for KALOSI, the strongest man of the regime.

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